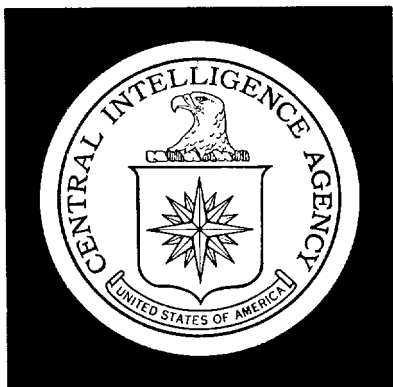


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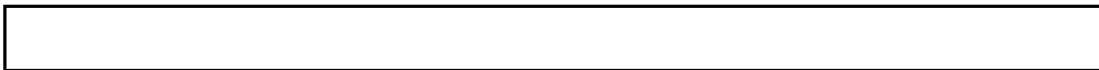
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INTERNATIONAL ECONOMIC DEVELOPMENTS: Foreign exchange markets remained calm yesterday as efforts to find longer-term solutions to the crisis continued.

A meeting of the Japanese Cabinet Council of Economic Ministers has ruled out revaluation of the yen at least until after the Group of Ten (the US, UK, Sweden, Switzerland, Canada, and EC countries) meets in mid-September. The Council also reportedly decided against bilateral currency talks with the US at the present time.

EC members may meet before the Council session now scheduled for 13 September in another attempt to work out common exchange-rate policies. German officials have commented that an EC meeting would be preferable to bilateral talks with the French and have said that their two ministers could be available on 4 September.

At the special General Agreements on Tariffs and Trade (GATT) Council meeting held to discuss the ten-percent surcharge on US imports, the EC issued a strong statement denouncing it, and, as expected, reserved the right to retaliate if the surcharge is not removed. The EC statement also called for the establishment of a working group to study the US action and deliver a report before the end of September.

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GREECE: Prime Minister Papadopoulos seems finally to have removed the most prominent trouble-makers in his government.

Yesterday morning, Papadopoulos accepted the resignation of all of his ministers and secretaries general; a new cabinet is to be announced today. Perhaps the most significant moves are the transfers of at least four secretaries general to posts in outlying areas of Greece. The secretaries general have occupied these top administrative positions in the various ministries because of their participation in the coup in 1967. They have objected strongly to Papadopoulos' policies in the past three years, and in particular resent that he has not consulted with them on major issues. In addition, they have formed the hard core of opposition to any moves that might dilute the "revolution," such as a return to parliamentary government or the restoration of self-exiled King Constantine.

The Prime Minister's decisive move reflects his increasing ability to act against dissent within the regime. All of the secretaries general apparently submitted their resignations without serious resistance. Papadopoulos may fill some of the cabinet posts and other senior positions with technocrats as well as some lesser known politicians. He has said in recent months that he wanted to do this, probably calculating that such a move would give the army-backed regime an aura of civilian respectability.

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UN - SOUTH ASIA: The UN remains deadlocked on political action regarding the Indo-Pakistani problem, and its humanitarian efforts are encountering difficulties as well.

The 15 Security Council members have been consulting intensively on the recent Pakistani suggestion that a Council "good offices" committee visit both countries. Nevertheless, Council President Vinci estimates that only five of the 15 members would vote for the Pakistani proposal. The main obstacle remains Soviet and Indian insistence that the UN focus on the situation in Pakistan, rather than respond to Islamabad's effort to focus UN attention on Indian-Pakistani confrontation.

The UN this week began stationing in East Pakistan a portion of the staff designated for relief operations there. Their earlier arrival had been prevented primarily because of disputes over Islamabad's efforts to retain considerable control over the UN presence.

The UN secretariat is concerned, however, for the security of its initial 38-man staff, which includes seven security officers. The guerrillas have threatened UN personnel, especially UN nationals, whose actions could be viewed as supportive of Islamabad. Also, if the UN is to avoid seeming involvement in the domestic political dispute, it apparently will need substantially more transport under its own rather than Pakistan's control. [REDACTED]

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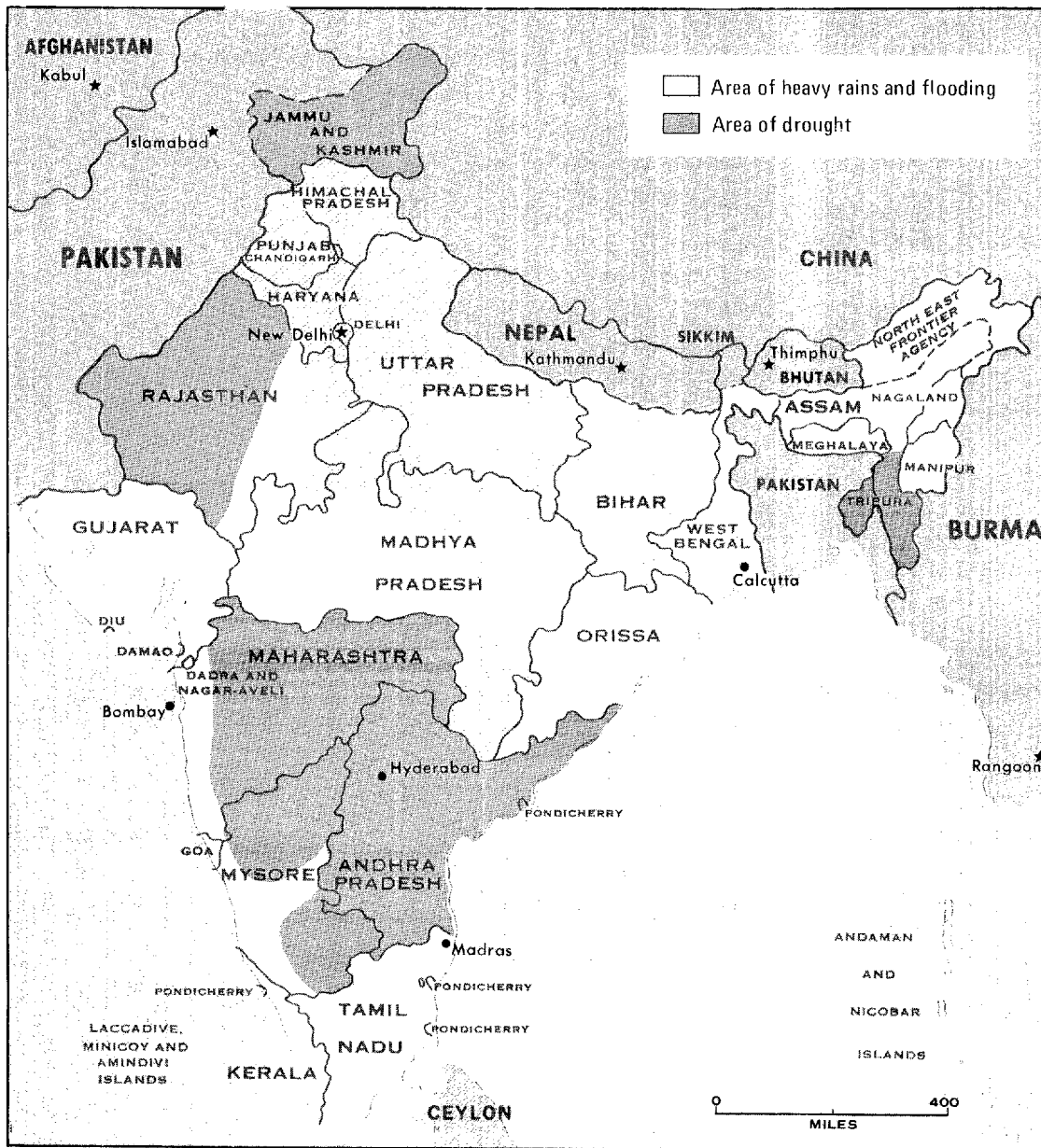
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Adverse Weather Troubles India



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INDIA: Floods and droughts are causing problems for crops in parts of the country.

Exceptionally early and heavy monsoon rains, which previously damaged wheat during the harvest season in north and north central India, are now causing substantial floods downstream in the Ganges Plain, the principal rice growing area. The floods arrived before the rice had been transplanted and seed bed losses reportedly were severe. Chances for another record rice crop have been reduced by floods in the major producing states of eastern India, in particular Bihar, eastern Uttar Pradesh, and West Bengal. The floods are also contributing to the spread of cholera in Bihar and causing problems in the transportation of food to the Pakistan refugees in West Bengal.

Elsewhere, large areas of central, south, and west India have had little or no rain since late June. Crops seriously affected in these areas include cotton, peanuts, and minor foodgrains. India has had four good crop years with foodgrain production increasing to about 106 million tons in 1970/71. Should food grain output fall much below this level, India may reconsider its decision to end PL-480 food-grain imports. [REDACTED]

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UGANDA: President Amin's attempts to shift blame for the country's problems to his cabinet may backfire.

Faced with a deteriorating economic situation, the President last week charged some of his ministers with "corruption," citing examples of alleged misuse of public funds. Amin did not name the suspected ministers, but he stated that they would soon be dealt with by the Defense Council, a clique of military officers that has considerable influence with the general. Amin also accused the cabinet of talking too much in public and announced that ministerial speeches would henceforth be cleared by the President's office.

Amin's charges of ministerial corruption are probably overdrawn as Uganda's cabinet ministers have had only limited opportunities for corruption because of the dominance of the Defense Council. By using his ministers as scapegoats, Amin will probably succeed only in further diminishing public support for his government.

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COMMUNIST CHINA - UK: Peking is to purchase six medium-range jet aircraft from a British firm within the next two years, probably for use on its future international routes.

Earlier this year representatives of Hawker-Siddeley spent several months in Peking negotiating this deal for Trident 2E aircraft, which have a range of 2,100 miles and carry more than 150 passengers. The value of the aircraft and spare parts is reported to be \$48 million.

The Chinese have been seeking aircraft from several sources. Last year they bought four Trident 1E aircraft from Pakistan and talked to company officials in both France and the UK.

Peking flies internationally only to Burma and several Asian Communist countries but has laid the groundwork for establishing more extensive air routes, particularly to Europe. Both Pakistani and French airlines now serve China and China has the reciprocal right to land in both countries. Earlier this month Turkey agreed in principle to allow service stops for Chinese planes en route to Romania.

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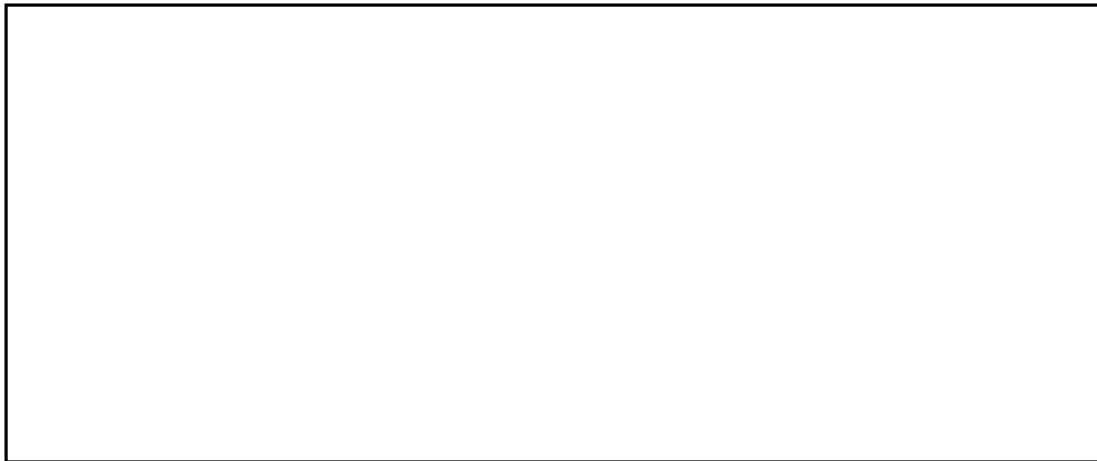
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ECUADOR: The country, on the threshold of becoming an oil exporter, apparently is trying to raise the ante in its dealings with the oil companies. President Velasco is reviewing a proposed law that would sharply increase royalty payments and petroleum income taxes and would reduce concession areas. Texaco-Gulf, the largest foreign consortium and discoverer of the prolific oilfields in eastern Ecuador, expects to begin exporting oil by mid-1972 after a 318-mile pipeline to the coast is completed. The consortium regards the proposed law as very severe but admits that, with a total investment approaching \$200 million, its options are limited and that it would try to adapt.

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YEMEN (SANA): The cabinet of new premier Hasan al-Amri was announced yesterday. An unexpected development was the naming of a southern Yemeni, Abdullah al-Asnaj, as minister of foreign affairs. Al-Asnaj was active in southern Yemeni trade union and political affairs until his exile in 1967. He is one of the more prominent leaders of the National Unity Front (NUF), a band of exiles who have been mounting a campaign based in Yemen against the radical regime in Aden. The appointment of al-Asnaj will cause a further deterioration in the already hostile relations between the two Yemens. The reasons for the appointment are not yet clear, although it may have been done on the recommendation of Saudi Arabia.

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